NANEXA: Capital raise to pursue a broad set of opportunities in 2024 and 2025

As we had expected, Nanexa announced a SEK 121m rights issue, albeit at a slightly higher than expected both discount and amount. This will give Nanexa runway to start and complete phase I with NEX-22 for type 2 diabetes (in 2024), initiate phase Ib with NEX-20 for treatment of Multiple Myeloma, continue development of PharmaShell, and likely finance operations well into 2025. With participation from largest shareholder Novo Nordisk, Board and Management, totaling 20% of the issue, plus guarantors, some 62% of the issue is secured. In light of Novo Nordisk's renewed commitment and the heightened general interest in GLP-1 drugs, we have reviewed our model and see a 30% probability for a license deal with Novo Nordisk, which we expect would transform Nanexa into a billion SEK company.

SEK 107m injection secure broad set of activities in 2024
Of the net proceeds of SEK 107m after costs, around 30% will go to NEX-22, for treatment of type 2 diabetes, for the implementation of phase I, preparation and initiation of phase II and advisory meetings with FDA regarding continued clinical program. 15% will go to NEX-20 for completion of the Phase Ia clinical study, and preparation and initiation of dose escalation study, Phase Ib, in patients with Multiple Myeloma. 20% will got to further development of PharmaShell to broaden the use in biological medicines, e.g. peptides and monoclonal antibodies while 10% will be allocated to business development aimed at broader development/licensing agreements. 10% will go to preclinical evaluation of NEX-18 and the rest to production and general admin.

Subscription price is set at SEK 1 per share which is a pretty steep discount compared to previous close. At 121,4m new shares this will mean a 67% dilution for non-participating shareholders.

Wide range of outcomes
Earlier in H2'23, Nanexa announced the initial positive PK data for NEX-20, showing a controlled release of lenalidomide. Now, Nanexa expects the full PK profile, safety and tolerability data later in H2'23. Primary focus however seems to be on NEX-22 where Nanexa expects to submit the clinical trial application later in H2'23 with initiation of phase I in early 2024. NEX-22 is a long-acting depot formulation of GLP-1 agonist liraglutide. Liraglutide is currently available as a once-daily injection, but NEX-22 is designed to be injected once a month, meaning a significant improvement in convenience for patients, and adherence.

This runs in parallel with Nanexa's evaluation agreement with Novo Nordisk for an unspecified target. Our base-case assumption is that this is most likely to be other GLP-1 Semaglutide, now accounting for over 1/3 of Novo Nordisk's revenues, with very positive growth prospects. In Q2'23, 45% of Novo Nordisk's revenues were for some GLP-1 drug. We now see a 30% probability for a license deal with Novo Nordisk, estimating a 3% royalty fee in such a deal. A rough assumption the application of PharmaShell on 10%-40% of Novo Nordisk's portfolio corresponds to a SEK 250m -1 bn NPV for the Novo Nordisk deal alone. But all estimates with regards to Novo's potential application of PharmaShell, pricing strategy and customer segmentation are highly uncertain.

Translating to a wide valuation range

The wide range of outcomes, especially with regards to potential applicability of PharmaShell on Novo Nordisk's products in the event of a license deal, means that it's near futile to try to pin down a single number in a valuation of Nanexa. It is however worth noting that the standalone pursuit of NEX-22 is most likely mutually exclusive with a license deal with Novo Nordisk. In our Sum of the Parts valuation, this gives support for a valuation range anywhere between SEK 600m and 1.6bn, corresponding to SEK 3.3-8.7 per share post issue. This compares to our earlier fair value at SEK 6.4-7.7 per share which however was based on the expectation of a SEK 80m share issue at 25% discount.

So, after the right issue set to be completed in October and the results of phase I with NEX-20 later in H2'23, we look forward to initiation of Phase I with NEX-22 and NEX-18 (long-acting injectable azacitidine for myelodysplastic syndrome) in 2024.

Read the full report: https://www.emergers.se/nanexa_p/

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About Emergers

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Attachments

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